

Press Release

February 22, 2018

G. M. Exports (GME)



Rating Upgraded

Total Bank Facilities Rated*	Rs. 26.50 Cr.
Long Term Rating	SMERA BB+/Outlook: Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for Details

Rating Rationale

SMERA has upgraded the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) from '**SMERA BB**' (read as **SMERA double B**) and reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on Rs.26.50 crore bank facilities of G. M. Exports (GME). The outlook is '**Stable**'

GME was established in 1995 as a partnership firm by partners, Mr. Rajesh Makwana and Mr. Chirag Makwana is a Del Credere Agent (DCA) and a consignment stockist (CS) of Gas Authority of India Limited (GAIL) for distribution of polymer products, such as linear low-density poly ethylene (LLDPE) and high-density polypropylene (HDPE) for Gujarat region.

List of Key Rating Drivers and their detailed description

Strengths

Long track record of operations in and has established association with GAIL

The firm has a long track record of operations of around 22 years. It started its association with GAIL India Limited since 2002 and engaged as consignment stockist and Del Credere Agent for sale of polymer products.

Favourable demand outlook for polymers

The demand for polymers is expected to grow well with healthy growth in industries such as automobiles, polymer-based reinforcing material in construction as well as plastics, paints and coatings for the automotive sector. These factors will positively impact the company's revenue in the present and in future years.

Improvement in profit margins

GME recorded improvement in profit after tax (PAT) margins from 1.41% in FY16 to 3.47% in FY17. Also the EBITDA margins improved from 7.88% in FY16 to 13.88% in FY17.

Weaknesses:

High counterparty credit risk

The firm being a DCA/CS for GAIL is exposed to high counterparty credit risk as the same (receivables) is transferred from GAIL to GME. This results in high working capital requirements, which ultimately influences the net profit margin which stands at 3.47 per cent in FY2017 and financial risk profile of the firm.

Capital withdrawal risk

GME, being a partnership firm is exposed to capital withdrawal risk.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Outlook: Stable

SMERA believes that the outlook of GME will remain stable over the medium term on account of its established track record in the polymer and chemical distributor industry. The outlook may be revised to 'Positive' if the firm is able to increase scale of operations and profitability while maintaining efficient working capital. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability, deterioration of capital structure or extended working capital requirements.

About the Rated Entity - Key Financials

Particulars	Unit	FY17	FY16	FY15
Operating Income	Rs. Cr.	14.17	20.10	12.92
EBITDA	Rs. Cr.	1.97	1.58	2.21
PAT	Rs. Cr.	0.49	0.28	0.34
EBITDA Margin	(%)	13.88	7.88	17.11
PAT Margin	(%)	3.47	1.41	2.67
ROCE (%)	(%)	10.15	8.54	10.53
Total Debt/Tangible Net Worth	Times	3.21	2.06	3.08
PBDIT/Interest	Times	1.34	1.34	1.29
Total Debt/PBDIT	Times	8.56	6.57	7.26
Gross Current Assets (Days)	Days	662	316	557

Status of non-cooperation with previous CRA (if applicable)

ICRA has moved the ratings for the Rs. 30.50 crore bank facilities of GM Exports (GME) to the 'Issuer Not Cooperating' category in its Press Release dated 06 September 2017.

Any other information

None

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Name of Instrument /Facilities	2017			
	Scale	Amount (Rs. Crore)	Rating with Outlook	
Cash Credit	Long Term	2.00	SMERA BB /Stable (Assigned)	
Cash Credit under e-DFS	Long Term	18.00	SMERA BB /Stable (Assigned)	
Bank Guarantee	Short Term	5.00	SMERA A4+ (Assigned)	
Letter of Credit	Short Term	1.50	SMERA A4+ (Assigned)	

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Available	2.00	SMERA BB+/ Stable (Upgraded)
Cash Credit under e-DFS scheme	Not Applicable	Not Applicable	Not Available	18.00	SMERA BB+/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Available	5.00	SMERA A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Available	1.50	SMERA A4+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Aditi Shah, Analyst- Rating Operations, Tel: +91-22-6714 1371 Email: aditi.shah@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and some leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.